

CHAPTER 7

ACCOUNTING AND RECORDKEEPING

I. INTRODUCTION.

This chapter will discuss how to establish and maintain financial and program records for your grant.

II. GRANTEE RESPONSIBILITIES.

You must be able to document how CDBG funds are spent and that they are spent for eligible costs and activities. Grantee's files must clearly document what grant activities were accomplished and that the intended objectives and national benefit was achieved in accordance with the grant contract and applicable State and federal laws. This section covers the required and recommended financial and program record keeping systems for grantees and their consultants/ subrecipients. The Chapter will help grantees organize their filing systems and ensure they have the necessary documentation at the time of state monitoring. Grantees may also wish to use the monitoring checklists in Chapter 12 of this manual to ensure they are in compliance with record keeping requirements.

Grantees who use program operators or consultants to implement their CDBG funded activities are required to ensure that the operator/consultant has the proper fiscal and record keeping systems in place to document compliance with requirements in this manual. This also includes subrecipients or agencies under an MOU and the grantee must monitor these agencies for compliance with all CDBG requirements. It is suggested that grantees withhold the partial payment of CDBG funds to consultants, subrecipients, or agencies under MOUs until they verify proper financial and record keeping systems are in place.

A. Financial recordkeeping

1. Record of CDBG funds received
2. Record of CDBG funds disbursed
3. Documentation of CDBG expenditures
4. Accrued expenditures
5. Escrow accounts
6. Subsidiary records
7. Review of expenditures
8. Other files
9. Records retention

B. Program recordkeeping

1. Public information file
2. General reference
3. Financial management
4. Environmental review

5. Equal opportunity
6. Procurement
7. Construction contracts and labor standards
8. Relocation and Acquisition
9. Housing rehabilitation
1. Housing Acquisition - Homebuyer Programs
11. Economic development
12. Cost Categories for General Administration, Activity Delivery and Program Loan Activity

A. Financial recordkeeping. You must maintain a financial management system that provides accurate, current, and complete disclosure of the financial status of each grant-supported activity. The system must be capable of generating any financial status reports required by the Department and include procedures for determining whether charges to the grant are reasonable, allowable, and allocable.

The following are the minimum requirements to account for your grant. You may use your jurisdiction's own accounting standards and procedures when they meet or exceed these minimal requirements.

1. Record of CDBG funds received: The CDBG funds received must be accounted for separately by grant and maintained so that the total CDBG funds received can be verified for any given period of time. Your accounting records must record the date the funds were received and be traceable to the bank account used. If account numbers are used, a separate account number should be set up for each grant.
2. Record of CDBG funds disbursed: Your disbursement of CDBG funds must be accounted for separately by grant and grant activity. For example, if you have two current grants, one general grant for housing rehabilitation and public works, and one economic development planning and technical assistance grant, you will keep separate expenditure accounts for each of the activities under each separate grant. You will need to record the date of payment, the name of payee and the warrant number and amount, and establish audit trails to the supporting source document.
3. Documentation of CDBG expenditures: All CDBG expenditures must be supported by source documentation such as invoices, timesheets, and travel claims. If the contract cost for a consultant, a CPA firm, engineering firm, or other organization is charged to the grant, keep with your financial files a copy of the contract, procurement procedures followed, and paid invoices (with supporting documentation for cost-reimbursement contracts).
4. Accrued expenditures: You are required to report accrued expenditures on the Financial and Accomplishment Report (FAR) submitted to the Department (see Chapter 10). Basically, accrued expenditures include bills paid as well as invoices that are not yet paid.
5. Escrow Account: Housing rehabilitation funds may be drawn and deposited

into an **escrow account** if the construction contract between the property owner and the rehabilitation contractor specifically provides that payment to the contractor shall be made through an escrow account. No deposits to the escrow account shall be made until after the contract between the two parties has been executed. A single, interest-bearing account with a financial institution shall be used. Separate accounts for individual loans and grants are not allowed.

Only costs incurred by the contractor for the required rehabilitation work can be paid from the escrow account. Any funds not used within 22 working days must be transferred back to the program. Unused funds returned to the program account should not be treated as program income. Other allowable costs such as administrative costs are not permissible uses of escrowed funds. Upon completion of all rehabilitation activities utilizing such a third party or grantee controlled account, return any unspent funds to your program account to complete additional rehabilitation activities. These funds are not to be treated as program income.

Any interest or investment revenue earned on these accounts, after deducting any service charges for the account, must be remitted to the Department at least quarterly.

6. Subsidiary records: If your local system does not allow you to account for the receipt and disbursement of CDBG funds to the level of detail required under items A.1 and 2 above, you should use subsidiary records to account for the grant funds. The subsidiary records must be supported and reconciled to the official accounting records. Subsidiary records can also be used to account for accrued costs reported to the Department.
7. Review of expenditures: You should have your local program staff review and approve vouchers and invoices to make sure the items are eligible costs pursuant to your contract and program regulations and that the cost is charged to the correct grant and program activity.
8. Other files: Besides the books listed above, your financial recordkeeping system should include correspondence between you and the Department regarding budget changes or authorizing any contract amendments, and the results and response to any fiscal monitoring findings. The State will monitor any files related to the grant including those of subrecipients, contractors and any administrative entity.
9. Records retention: All records pertaining to your CDBG grant must be retained for four years from: the date the final expenditure report is submitted by the grantee to the Department under the standard agreement; or completion and resolution of the audit and/or any litigation; whichever is later. If there are any litigation, claim, or audit findings that extend beyond this four-year period, you must retain the records until all litigations, claims, or audit findings involving the records have been resolved. Records for property acquired with grant funds shall be retained for five years after final

disposition. Records for any displaced person shall be retained for four years from: the date the final expenditure report is submitted by the grantee to the Department under the standard agreement; the person has received a final relocation payment.

- B. Program recordkeeping.** An Accounting and Recordkeeping Checklist is available in Section VI, Supporting Materials. You may also use the monitoring checklist in Chapter 12 to make sure you have the necessary documents in your files. You may want to photocopy these pages and clip and use the applicable checklists for your filing system. All original contract documents should be kept in a fire-proof file with copies kept in other locations including the files noted on the Checklist. Some items should be kept in multiple locations for ease of reference and use.

III. COMMON PROBLEMS.

- Disorganized or missing files
- Inadequate accounting source documentation (invoices, timesheets, etc.)
- Inadequate accounting of receipts and disbursement of grant funds
- Indirect costs charged to grant without an approved indirect cost rate plan
- Inadequate procedures for verification of allowable costs
- Inadequate procedures for certifying subgrantee financial systems
- Inadequate separation of duties; i.e., person approving expenditures is also disbursing and recording

- IV. DEPARTMENT'S ROLE.** The Department's fiscal staff will conduct an in-depth review of the grantee's financial management system for each grant, and are also available to assist in solving financial management problems as they occur.

CDBG staff review all program files during your grant monitoring visit and will offer suggestions for improvement as well as any required corrections.

V. REFERENCES.

- State CDBG Regulations, Article 4, Grant Administration, Sections 7098 through 7124, provides uniform administrative requirements for grants to local governments.
- 24 CFR 85, referred to as the "HUD common rule," establishes administrative requirements for grants to local government.
- 24 CFR 570.489 sets requirements for fiscal controls and accounting procedures.
- 24 CFR 570.490 establishes general recordkeeping and retention requirements.

- Treasury Circular 1075, sets the policy for sound cash management practices.
- OMB Management Circular A-87 establishes principles and standards for determining costs applicable to grants, contracts, and other agreements with State and local governments.
- OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments describes the auditing requirements for local jurisdictions.

VI. **SUPPORTING MATERIALS**

- Accounting and Recordkeeping Checklist 7- 6
- Cost Categories 7-22

ACCOUNTING AND RECORDKEEPING CHECKLIST

1. **Public Information File** (kept for general public access):

Binder 1 General reference (program wide – one copy only)

- ___ State CDBG Regulations
- ___ Federal CDBG regulations
- ___ CDBG NOFA(s) for all open grants
- ___ Program Income Reuse Plan
- ___ *Quarterly* Program Income Reports
- ___ *Annual* Program Income Reports
- ___ CDBG Grant Management Manual
- ___ CDBG Management Memoranda

Binder 2 Grant specific

- ___ CDBG grant application as approved
- ___ Grant agreement (contract) as approved and amended
- ___ Loan Committee Reports (State Advisory or local committees, as apply)
- ___ Program Guidelines (if applicable)
- ___ Citizen Participation Requirements
 - ___ Availability of Funds notice
 - ___ Sign-in Sheet
 - ___ Minutes
- ___ Application Approval and Resolution
 - ___ Sign-in Sheet
 - ___ Minutes
- ___ Annual GPR Review
 - ___ Sign-in Sheet
 - ___ Minutes
- ___ Grant Closeout Notice
 - ___ Sign-in Sheet
 - ___ Minutes
- ___ CDBG Reports
 - ___ *Monthly* Fund Requests
 - ___ *Semi-Annual* Financial and Accomplishment Reports (FARs)
 - ___ *Semi-Annual* Economic Development Performance Reports (ED)
 - ___ *Annual* Grantee Performance Reports
 - ___ *Annual* Section 3 Reports
 - ___ Section 504 Compliance
 - ___ Lump Sum Drawdown (if applicable)

- ___ Monitoring and auditing letters
- ___ Monitoring and auditing responses
- ___ Written comments and responses regarding program activities
- ___ Closeout Documents

2. **Policy**

- ___ Personnel Handbook
- ___ Drug Free Workplace Policy
- ___ Fair Employment Policy/Posting
- ___ Fair Housing Policy/Posting
- ___ Procurement Policy
- ___ Equal Opportunity Employment Policy (employment and contracting)
 - ___ Title IV
 - ___ Section 504
 - ___ ADA
 - ___ Section 3
 - ___ Affirmative Action

3. **Procurement:**

- ___ Local Procurement Procedures
- ___ Small Purchase Method (\$100,000 or less/consultation)
 - ___ price quote documentation (at least three)
 - ___ scope of work
 - ___ verification of contract insurance
- ___ Competitive Sealed Bid (construction)
 - ___ Invitation for Bid (IFB)
 - ___ public notice
 - ___ mailing list of recipients
 - ___ bids received
 - ___ documentation of selection process, cost estimate evaluation/rating
 - ___ verification of contractor eligibility
 - ___ verification of contractor insurance
- ___ Competitive Proposal (over \$100,000)
 - ___ Request for Proposal (consulting) or
 - ___ Request for Qualifications (engineering/architectural services)
 - ___ public notice
 - ___ mailing list of recipients
 - ___ proposals received
 - ___ documentation of selection process (RFP only)
 - ___ cost estimate evaluation/rating
 - ___ “Best and Final” offers
 - ___ documentation of selection process (RFQ)
 - ___ “most qualified” determination

- ___ negotiation of fair and reasonable price
- ___ verification of contractor insurance
- ___ Non-Competitive Proposals/Sole Source
 - ___ letter to Department summarizing justification
 - ___ documentation of sole source determination
 - ___ approval letter from Department
- ___ Other Options (in consultation with Department Representative)
 - ___ Subrecipient Agreement Checklist/documentation
 - ___ Joint Powers Agreement/M.O.U determination
 - ___ Continue existing contract/scope of work coverage documentation

4. Contracts

- ___ Program Operator/grants management
 - ___ signed contract/amendment
- ___ Consultant/marketing
 - ___ signed contract/amendment
- ___ Fiscal management
 - ___ signed contract/amendment
- ___ Training and Placement Agency/Income Verification
 - ___ signed contract/amendment
- ___ Engineering/Architectural Services
 - ___ signed contract/amendment
- ___ Construction Contract
 - ___ signed contract/amendment
- ___ Subrecipient Agreement
 - ___ signed contract/amendment
- ___ Joint Powers Agreement/M.O.U
 - ___ Resolution/amendment

5. Financial Management

- ___ CDBG Grant Agreement as approved, and any amendments
- ___ Project Budget and any amendments
- ___ Records of CDBG funds received and disbursed
- ___ Subsidiary records, if any
- ___ Invoices/source documentation of CDBG expenditures
- ___ Original fund requests
- ___ Lump Sum drawdown agreement (between jurisdiction and bank)
- ___ Lump Sum Drawdown Report
- ___ Semi-annual Financial and Accomplishment Reports
- ___ Annual Grantee Performance Reports
- ___ Correspondence regarding monitoring and audit findings
- ___ Annual audits submitted to State Controllers Office
- ___ Program Income accounting records
- ___ Fiscal closeout documents

- ___ Certification letter
- ___ Closeout FAR

6. **Environmental review:**

Planning and Engineering Activities (Categorically Exempt)

- ___ Form 58.6
- ___ Environmental Finding Form, marked Exempt

Non-invasive Activity (Categorically Excluded, not Subject to 58.5)

- ___ Form 58.6
- ___ Environmental Finding Form, marked Excluded, Not Subject to 58.5

Rehabilitation or Acquisition Activity (no change in use, less than 20% change in size or capacity) (Categorically Excluded, Subject to 58.5)

- ___ Form 58.6
- ___ Statutory Worksheet for the Activity
 - ___ Letter sent to SHPO describing determination
 - ___ SHPO response letter
 - ___ FONSI (if required by secondary finding)
 - ___ NOI/RROF
 - ___ Filed public notice
 - ___ RROF
 - ___ Distribution List
 - ___ Public Comments and Responses
- ___ Environmental Finding Form, marked Excluded, Subject to 58.5
- ___ Documentation

New Construction Activity (Environmental Assessment)

- ___ Form 58.6
- ___ Environmental Assessment including Statutory Worksheet
- ___ Letter sent to SHPO describing determination
 - ___ SHPO response letter
 - ___ FONSI (if required by secondary finding)
 - ___ NOI/RROF
 - ___ Filed public notice
 - ___ RROF
 - ___ Distribution List
- ___ Public Comments and Responses
- ___ Environmental Finding Form, marked Environmental Assessment
- ___ Documentation

Finding of Significant Impact on Any Activity

- ___ Form 58.6
- ___ Environmental Impact Statement
- ___ Notice of Intent to Prepare an EIS Draft
- ___ Final EIS
- ___ Record of Decision
- ___ Documentation

Continuation Statement (if applicable)

Joint Memorandum of Understanding (if applicable)

7. Wage Compliance:

- ___ Requests for wage decisions and modifications
- ___ Applicable federal and State wage decisions
- ___ Bid documents and specifications with labor and EO provisions
- ___ Evidence of 10-day wage determination update
- ___ Evidence of bid advertising
- ___ Verification of contractors' eligibility
- ___ Notice of contract award and documentation of why selected
- ___ Authorization to execute weekly statement of compliance
- ___ Construction contracts with labor and EO provisions
- ___ Notice of start of construction
- ___ Performance and payment bonds
- ___ Minutes of pre-construction conference
- ___ Contractor's/subcontractor's certification re: Davis-Bacon, etc.
- ___ Copy of notice to proceed
- ___ Change orders as approved
- ___ Final inspections
- ___ Notice of completion

- ___ Grantee's D.O.L. notification of contracts and subcontracts awarded
- ___ Files for each contractor including:
 - ___ Contractor's and subcontractors' certifications
 - ___ Payrolls and Statements of Compliance for each week
 - ___ Employee interview records
 - ___ Trainee/apprentice program certification/registration
 - ___ Letters authorizing payroll deductions
 - ___ Letters authorizing fringe benefit funds
- ___ Related memos and correspondence

8. Relocation and Acquisition:

Relocation:

- ___ Housing survey
- ___ Relocation diary
- ___ Completed household case record
- ___ Income certification
- ___ Notice of intent to displace
- ___ Relocation needs survey
- ___ Request for tax return
- ___ Notice of eligibility and conditional entitlement letters:
- ___ Temporary relocation
- ___ Targeted Income Group persons
- ___ Rental assistance
- ___ Non-tenured
- ___ Owner/occupancy
- ___ Relocation waiver
- ___ 90-day notice to vacate
- ___ Evidence of receipt of 90-day notice to vacate/relocate
- ___ Evidence of referrals to replacement housing
- ___ 30-day notice to vacate
- ___ Displacement property data
- ___ Comparable replacement property data
- ___ Record of inspection of replacement and referral units
- ___ Claim for actual moving expense
- ___ Moving service authorization household goods
- ___ Claim for moving expense by schedule and dislocation allowance
- ___ Claim for replacement housing payment
- ___ Interest differential worksheet
- ___ Computation of amount of price differential
- ___ Last resort housing plan and family data record
- ___ Relocation payable/eligible accounting sheet
- ___ Escrow instruction worksheet #1
- ___ Escrow instruction worksheet #2
- ___ Loan balance worksheet
- ___ Loan termination worksheet
- ___ Appeals, if filed, and disposition

Acquisition:

- ___ Residential Antidisplacement and Relocation Assistance Plan
- ___ Comprehensive project list
- ___ Announcement
- ___ Notice of decision to appraise
- ___ Invitation for property owner to accompany an appraiser
- ___ Review of appraisal report
- ___ Statement of basis for determining just compensation
- ___ Written offer to purchase
- ___ Statement of settlement costs
- ___ Receipt for purchase price
- ___ If acquisition terminated, Notice of Intent Not to Acquire

9. Housing

Rehabilitation:

- _____ Program guidelines
- _____ Lump-sum drawdown reports

For each applicant household:

- _____ Completed loan application
- _____ Credit report
- _____ Mortgage verification
- _____ Income verification
- _____ Preliminary title report or lot book report
- _____ Appraisal
- _____ Hazard insurance binder
- _____ Floodplain insurance (if in floodplain)
- _____ Deed of trust
- _____ Promissory note
- _____ Truth-in-lending disclosure statement
- _____ Notice of right to rescind transaction
- _____ Notice of default for all loans listed on title report
- _____ Loan agreement
- _____ Fair lending notice
- _____ Documentation of any special circumstances that were considered when approving a loan/grant that do not comply with program guidelines or grant agreement (outside target area, etc.)
- _____ State Historic Preservation Office (SHPO) Determination of age of building and appropriate action taken
- _____ Affordability provisions, if applicable
- _____ Signed lead based paint notice
- _____ Inspection forms used to report deficiencies in unit
- _____ Work write-up/itemized costs
- _____ Sweat equity forms (record of type of labor, time, dollar valuation)
- _____ List of all contractors notified of rehabilitation bid opportunity
- _____ All bids submitted and evidence of review of cost reasonableness
- _____ Signed construction contract which includes:
 - _____ Equal opportunity provisions
 - _____ Liquidated damages clause
 - _____ Cancellation clause for nonperformance
 - _____ Payment schedule
 - _____ Notice to all bidders regarding award
- _____ Verification of contractor's worker's compensation and liability insurance*
- _____ Verification of contractor's license and eligibility*
- _____ Record of contractor progress payments and payment approvals signed by all parties to the contract
- _____ Change orders for any work or costs different from that described in original

- _____ specs and drawings signed by all parties to the contract
- _____ Notice of completion
- _____ Copy of building permit (with all signatures for approved work)
- _____ Reconstruction documents, if applicable:
- _____ After reconstruction appraisal including land and at least one comparable sale
- _____ Sale price (cite sources of data) of at least one comparable newly constructed home (including land) sold within the last 12 months within the jurisdiction. (If there are no newly constructed homes in the jurisdiction, contact your CDBG representative)
- _____ Cost estimates for reconstruction and rehabilitation
- _____ Evidence that the structure has been occupied during the preceding 12 months, or vacate order from the local building inspector
- _____ Signed reconstruction forms
- _____ State approval of reconstruction request

* This document may be filed in a master contractor file rather than a copy filed in each loan/grant file.

Acquisition - Homebuyer Programs:

- _____ Homebuyer Program guidelines

For each homebuyer:

- _____ Completed loan application
- _____ Credit report
- _____ Copies of first lender's loan documents
- _____ Income verification
- _____ Preliminary title report or lot book report
- _____ Appraisal
- _____ Hazard insurance binder
- _____ Floodplain insurance (if in floodplain)
- _____ Jurisdiction's Loan Documents:
- _____ Deed of trust
- _____ Promissory note
- _____ Truth in lending disclosure statement
- _____ Notice of right to rescind transaction
- _____ Notice of default for all loans listed on title report
- _____ Loan agreement
- _____ Fair lending notice
- _____ Documentation of any special circumstances that were considered when approving a loan/grant that do not comply with program guidelines or grant agreement (outside target area, etc.)
- _____ Inspection forms used to report deficiencies in unit
- _____ Signed lead based paint notice
- _____ If acquisition with rehabilitation:
- _____ Work write-up/itemized costs
- _____ Sweat equity forms if applicable (record of type of labor, time, dollar valuation)

- ___ List of all contractors notified of rehabilitation bid opportunity
- ___ All bids submitted and evidence of review of cost reasonableness
- ___ Signed construction contract which includes:
- ___ Equal opportunity provisions
- ___ Liquidated damages clause
- ___ Cancellation clause for nonperformance
- ___ Payment schedule
- ___ Notice to all bidders regarding award
- ___ Verification of contractor's worker's compensation and liability insurance*
- ___ Verification of contractor's license and eligibility*
- ___ Record of contractor progress payments and payment approvals signed by all parties to the contract
- ___ Change orders for any work or costs different from that described in original specs and drawings signed by all parties to the contract
- ___ Notice of completion
- ___ Copy of building permit (with all signatures for approved work)
- ___ If acquisition with reconstruction:
- ___ After-reconstruction appraisal including land and at least one comparable sale
- ___ Sale price (cite sources of data) of at least one comparable newly constructed home (including land) sold within the last 12 months within the jurisdiction. (If there are no newly constructed homes in the jurisdiction, contact your CDBG representative)
- ___ Cost estimates for reconstruction and rehabilitation
- ___ Evidence that the structure has been occupied during the preceding 12 months, or vacate order from the local building inspector
- ___ Signed reconstruction forms
- ___ State approval of reconstruction request

This document may be filed in a master contractor file rather than a copy filed in each loan/grant file.

10. National Objective/Public Benefit – General Program:

- ___ Demographic data re: target area and beneficiaries
- ___ Job recruitment, training, and hiring documents
- ___ Demographic data re: employees, applicants, and interviewees
- ___ Minority and women-owned business solicitation lists
- ___ Fair Housing activity documentation
- ___ Section 3 documentation, records and reports
- ___ Department of Labor forms re: construction contracts over \$10,000
- ___ Section 504 compliance self-evaluation and documentation
- ___ TIG minorities and women hires
- ___ Affirmative action goals

11. Economic Development:

Credit Review File

- ___ Underwriting documentation
- ___ Loan Committee Credit Analysis and Funding Recommendation
- ___ Board Minutes
- ___ Long Approval with terms/special conditions

BUSINESS UNDERWRITING

- ___ Brief history of the business.
- ___ Business Plan (for businesses less than three years old). Include resumes of principals, market analysis, marketing strategy, and impact on local competitors.
- ___ Commitment Letter(s) from all other funding sources, including proposed
- ___ Correspondence indicating the status of the availability of other funding sources.
- ___ Past three years business financial statements (balance sheets and income statements), including all notes and disclosures.
- ___ Current Business Financial Statements (less than 60 days old).
- ___ Current Business Debt Schedule (corresponds to current balance sheet).
- ___ Aging of Accounts Receivable
- ___ Aging of Accounts Payable
- ___ Projected Business Debt Schedule (with CDBG and other new debt).
- ___ Past three years business Federal income tax returns, complete copies.
- ___ Monthly Income Projections for Two Years, with and without CDBG.
- ___ Annual Income Projections for five years with and without CDBG (for businesses less than three years old).
- ___ Current Personal Financial Statement of principal with 20 percent or more ownership (less than 60 days old).
- ___ Past three years personal Federal tax return (complete copies) for each principal with 20 percent or more ownership.
- ___ Credit report on each principal with 20 percent or more ownership.
- ___ Letters of commitment concerning the equity injection, reflecting how it will be obtained and appraised.
- ___ Draft CDBG Loan Agreement.
- ___ Third party cost estimates, including documentation of the cost of real property, acquisition, construction/rehabilitation, and/or equipment costs.
- ___ Appraisals of real property.

DEVELOPER UNDERWRITING

- ___ Brief history of the business
- ___ Development Plan. Include resumes of principals, market analysis and marketing strategy, and impact on other local development projects.
- ___ Copy of the application to all other funding sources, including all documentation.
- ___ Commitment Letter(s) from all other funding sources, including proposed

terms.

- ___ Correspondence indicating the status of the availability of other funding sources.
- ___ Past 3 years Developer business financial statements (balance sheets and income statements), including all notes and disclosures.
- ___ Current Developer business financial statements (less than 60 days old).
- ___ Current Developer business debt schedule (corresponds to current balance sheet).
- ___ Projected Developer business debt schedule (with CDBG and other new debt).
- ___ Past three years Developer business Federal income tax returns, complete copies.
- ___ Monthly Developer income projections for two years, with and without CDBG.
- ___ Annual Developer income projections for five years with and without CDBG (include an internal rate of return analysis).
- ___ Current personal financial statement of principal with 20 percent or more ownership (less than 60 days old).
- ___ Past three years personal Federal tax return (complete copies) for each principal with 20 percent or more ownership.
- ___ Credit report on each principal with 20 percent or more ownership.
- ___ Letters of commitment concerning the equity injection, reflecting how it will be obtained and appraised.
- ___ Draft Development/Loan Agreement.
- ___ Draft Lease Agreement(s).
- ___ Start-up business tenant: a business plan, pro forma balance sheets and income statements, most recent personal Federal tax return and financial statements for principals with 20% or more ownership
- ___ Tenant with existing business relocating or expanding to the development: a brief history of the business, last 3 years business Federal income tax return, last 3 years business balance sheets and income statements, current business balance sheet and income statement (less than 60 days old).
- ___ Third party cost estimates, including documentation of the cost of real property, acquisition, construction/rehabilitation, and/or equipment costs.
- ___ Evidence of site control.
- ___ Appraisals of real property.
- ___ Resume of the managing agent.

INFRASTRUCTURE UNDERWRITING

- ___ Copy of the application to all other funding sources, including all documentation.
- ___ Commitment Letter(s) from all other funding sources, including proposed terms.
- ___ Correspondence indicating the status of the availability of other funding sources.
- ___ Third party cost estimates, including documentation of the cost of real property, acquisition, construction/rehabilitation, and/or equipment costs.
- ___ Evidence of site control.

- ___ Appraisals of real property.
- ___ Brief history of the business.
- ___ Business Plan (for businesses less than 3 years old). Include resumes of principals market analysis and marketing strategy, and impact on local competitors.
- ___ Past 3 years business financial statements (balance sheets and income statements), including all notes and disclosures.
- ___ Current Business Financial Statements (less than 60 days old).
- ___ Current Business Debt Schedule (corresponds to current balance sheet).
- ___ Projected Business Debt Schedule (with CDBG and other new debt).
- ___ Past three years business Federal income tax returns, complete copies.
- ___ Monthly Income Projections for Two Years, with and without CDBG (for businesses less than three years old, or businesses establishing a local operation of a multi-branch operation).
- ___ Annual Income Projections for five years with and without CDBG (for businesses less than three years old, or businesses establishing a local operation of a multi-branch operation).
- ___ Current Personal Financial Statement of principal with 20 percent or more ownership (less than 60 days old).
- ___ Past three years personal Federal tax return (complete copies) for each principal with 20percent or more ownership.
- ___ Credit report on each principal with 20 percent or more ownership.
- ___ Letters of commitment concerning the equity injection, reflecting how it will be obtained and appraised.
- ___ Draft Loan Agreement.
- ___ Letter from the community from which the business is relocating, indicating it has been notified about the impending relocation, and providing its comments.
- ___ Discussion of Fair Share Allocation Methodology and outcomes of negotiations with benefiting businesses and property owners.
- ___ Description of mechanism(s) for ensuring public benefit and national objective compliance by future businesses benefiting from infrastructure improvements.

INCUBATOR UNDERWRITING

- ___ Feasibility study documenting the need and feasibility for a small business incubator.
- ___ Incubator Guidelines. Include tenant selection criteria, tenant graduation policy, delivery plan for business assistance to tenants, marketing plan to attract tenants and experience/resume of managing agent.
- ___ Copy of the application to all other funding sources, including all documentation.
- ___ Commitment Letter(s) from all other funding sources, including proposed terms.
- ___ Correspondence indicating the status of the availability of other funding sources.
- ___ Monthly incubator income projections for two years, with and without CDBG.
- ___ Annual incubator income projections for 5 years with and without CDBG.

- ___ Projected incubator debt schedule.
- ___ Draft Lease Agreements.
- ___ Summary of collateral offered.
- ___ Third party cost estimates, including documentation of the cost of real property, acquisition, construction/rehabilitation, and/or equipment costs.
- ___ Evidence of site control.
- ___ Appraisals of real property.
- ___ Letters of intent to lease or pre-leases.
- ___ Start-up business tenant: a business plan, pro forma balance sheets and income statements, most recent personal Federal tax return and current financial statements for principals with 20 percent or more ownership.
- ___ Existing business tenant relocating or expanding to the development: a brief history of the business, last 3 years business Federal income tax returns, last three years business balance sheets and income statements, current balance sheet and income statement (less than 60 days old)

Loan Closing File

- ___ Articles of Incorporation and Bylaws **or**
- ___ Partnership Agreement
- ___ Corporate Resolution to Borrower and Certificate of Secretary **or**
- ___ Partnership Agreement and Authorization to Borrow
- ___ Borrower's Opinion of Counsel (legal business with no pending lawsuits)
- ___ current business license
- ___ bank commitment letter
- ___ loan servicing agreement
- ___ loan agreement
- ___ subordination agreement if needed
- ___ promissory note
- ___ Security Agreement for personal property (M&E, INV and A/R) perfected with secretary of state or county court
- ___ UCCs and lien search (to be filed with county recorder)
- ___ Mortgage and Deed of Trust (to be filed with county recorder)
- ___ Title Report(s)
- ___ Appraisal
- ___ personal guarantee
- ___ Corporate guarantees (common ownership, showing management or control)
- ___ hazard insurance (lender as loss payee)
- ___ life insurance (lender as loss payee)
- ___ title insurance (lender as loss payee)
- ___ Certificate of good standing
- ___ evidence of equity commitment
- ___ Employment Agreement
- ___ inter-creditor agreement (states lien positions for each lender. Commits each lender to notify others in event of problems)
- ___ seller's note

Loan Tracking File

- ___ Sources and Uses of Funds Form
- ___ Task and Budget Milestones
- ___ Amendments (if any) by loan
- Disbursement by loan
 - ___ Equity Deposit/verification
 - ___ Leverage Tracking Schedule (pro rata) including fair share payments
 - ___ Retention policy/construction projects
 - ___ Drawdown Checklist with approval date
 - ___ Record of CDBG funds received
 - ___ Record of CDBG funds disbursed
- Servicing/Monitoring by loan
 - ___ Billing Invoices by coupon book/monthly statement
 - ___ Copies of two-party checks
 - ___ Billing/payment status
 - ___ Record of payment history
 - ___ Covenant review (jobs to date)
 - ___ Restructuring
- Tickler System/due dates by loan
 - ___ Billing invoices
 - ___ Insurance premiums
 - ___ Property tax
 - ___ Updated personal and business financial statements
 - ___ UCC renewal dates
 - ___ Fair Share fee/Lease repayment schedule
 - ___ Quarterly Employment Report from business

12. National Objective/Public Benefit – Economic Development

- ___ Income Guidelines (HUD or WIB)
- ___ Presumption Data (if applicable)
- ___ Copy of Executed Beneficiary and Employment Plan Agreement
- ___ Current Year Economic Development Progress Report
- ___ Small Business Loan Program
 - ___ Executed Three-Party Employment Agreement, by loan
 - ___ Executed Authorization for Family Income Certification, by loan
 - ___ Employee Referral/Income Verification records, by loan
 - ___ *Quarterly* Employment Reports, by loan
- ___ Microenterprise Program
 - ___ Beneficiary Tracking Plan
 - ___ Application for Assistance
 - ___ Executed Authorization for Family Income Certification, by loan
- ___ Training Program Documentation
- ___ One-on-One counseling and development Records
- ___ Beneficiary summary tracking reports
- ___ Small Business Loan Program information, as outlined above, by loan

13. Reporting

- ___ copies of submitted Cash Requests
- ___ reporting calendar
- ___ *semi-annual* Financial and Accomplishment Reports (1/31, 8/15)
- ___ *quarterly* business employment report (E.D. per Employment Agreement)
- ___ *quarterly* Program Income Report (1/31, 4/30, 10/31)
- ___ *bi-annual* Economic Development Progress Report (4/30, 10/31)
- ___ *bi-annual* Wage Compliance Report (4/30, 10/31)
- ___ *annual* Grantee Performance Report (8/15)
- ___ *annual* Program Income Report (8/15)
- ___ *annual* Section 3 Report (8/15)
- ___ *Final* Fund Request (w/in 45 days of grant expiration)
- ___ *Final* Financial and Accomplishment Report (w/in 30 days of grant expiration)
- ___ *Final* Closeout Report (w/in 90 days of grant expiration)
- ___ Census data
- ___ County or City employment data
- ___ Equal Opportunity data (i.e., race, ethnicity, gender, handicap, age) on beneficiaries
- ___ Minority and women-owned business solicitation lists
- ___ Fair Housing activity documentation, as applicable
- ___ Section 3 documentation and records, as applicable
- ___ Department of Labor forms, re: construction contracts over \$10,000
- ___ Section 504 compliance self-evaluation and compliance documentation

14. Program Income

- ___ Adopted Reuse Plan (Checklist)
- ___ Quarterly Program Income Report
- ___ Repayment Tracking
 - ___ Funds committed to general administrative costs
 - ___ Funds committed to open grants
- ___ Funds committed to program income
- ___ Drawdown Approval Packet for Program Income revolve projects by loan (ED)
 - ___ Loan Agreement/Employment Agreement (ED)
 - ___ Environmental Clearance submission to CDBG by loan
 - ___ Environmental Clearance Documentation by loan
 - ___ Environmental Clearance letter from CDBG by loan
 - ___ Overlay documentation by loan
 - ___ National Objective/Public Benefit documentation by loan
 - ___ Income Verification (ED)
- ___ Drawdown Approval Packet for Program Income revolve infrastructure projects (ED)
 - ___ Fair Share Agreement/Employment Agreement (ED)
 - ___ Environmental Clearance submission to CDBG
 - ___ Environmental Clearance Documentation
 - ___ Environmental Clearance letter from CDBG
 - ___ Fair Share Repayment Schedule by project
 - ___ Overlay documentation by project

- ___ National Objective/Public Benefit documentation by project
- ___ Income Verification

15. Monitoring

- ___ Chapter 12 Grants Management Manual Checklist
- ___ HCD Monitoring letter
- ___ Response to Monitoring letter
- ___ Addendums
- ___ HCD clearance of findings letter
- ___ Sub-recipient monitoring (if applicable)
- ___ Emails and Phone Log (re: findings and proposed corrective actions)

**Cost Categories for General Administration,
Activity Delivery, and Program Loan Activity**

Costs	General Administration	Activity Delivery	Program Loan/Activity
Advertisements	X	X	
Appropriate Fees	X	X	X
Attend Workshops (HCD)	X		
Bidders Conferences	X	X	X
Construction			X
Engineering Draw/Design	X	X	
Environmental Studies	X	X	
Fiscal Reporting	X		
General Coordination	X		
Indirect Costs	X	X	
Insurance Premiums	X	X	
Labor Standards	X	X	
Loan Processing	X	X	
Loan Portfolio Management*	X	X	
Meetings with Banks	X	X	
Meetings with Homeowners/Homebuyers	X	X	
Personnel Costs	X	X	
Predevelopment Costs	X		
Procurement	X	X	
Program Reporting to CDBG	X		
Project Inspections	X	X	
Relocation Costs	X	X	X
Work Write-ups	X	X	

* Loan Portfolio Management Costs may include such items as loan servicing fees and costs, recertifying borrower income, tracking insurance coverage, inspecting secured properties, or other time spent dealing with borrowers.